



Tennessee State Board of Accountancy  
Department of Commerce and Insurance

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MINUTES

TENNESSEE STATE BOARD OF ACCOUNTANCY MEETING

January 16, 2004

The meeting of the Tennessee State Board of Accountancy convened in the Davy Crockett Tower, Nashville, Tennessee, on Friday, January 16, 2004, at 10:30 am.

Members present were David Curbo, Chairman; Micheal Vaughn, Vice-Chairman; Mark King, Secretary; L. Dan Johnson, Charles Frasier, Doug Warren and Kenneth Cozart. Also present were Linda Biek, Executive Director; M. Connaught O'Connor, Staff Counsel; Leona Johnson, Administrative Assistant III; and Dan Syriac, Administrative Manager.

David Curbo called the meeting to order at 10:30 am and announced that Linda L. Biek is officially the Executive Director for the Board as of January 1, 2004.

Dan Johnson made a motion to approve the minutes from the November 14, 2003 meeting. Charles Frasier seconded the motion; it was voted on and approved. Kenneth Cozart made a motion to approve the minutes from the December 18, 2003 telephonic meeting. Dan Johnson seconded the motion; it was voted on and approved.

Gary Parsons' **Restriction Reconsideration:**

Linda Biek provided the Board Members with a brief review of Mr. Parsons and his previous meetings with the Board. (A package of information sent to the Board Members for their review prior to the meeting is attached) Mr. Parsons made an opening statement requesting permission from the Board that he be allowed to prepare and issue compiled financial statements for his clients. David Curbo asked Mr. Parsons to provide a brief review of his case to the Board for the benefit of our new Board Members. Mr. Parsons then gave an overview to the Board of his case. There was a question and answer session between the Board Members and Mr. Parsons. Dan Johnson presented a motion to grant Mr. Parsons authorization to issue compiled financial reports once he completes eight (8) hours of CPE in the area of Compilation and Review. In addition he must have a pre-issuance review by one of the Board's three peer review acceptance committee members prior to issuance of his first compilation. Doug Warren seconded the motion. It was voted on and approved. Mark King strongly suggested to Mr. Parsons that he purchase a subscription to PPC or other similar service that provides guidance with financial accounting and reporting standards.

Charles Frasier presented the **CPE Committee Report:**

- 1) There have been no responses to 110 initial CPE audit notices. A second notice has been mailed via certified mail. The Committee proposes to mail an additional notice via certified mail as a FINAL NOTICE.
- 2) Should Tennessee issue reciprocal licenses to individuals passing International examinations? At present, Mexico only has approval from 3 other states for reciprocal licensing. The Committee is researching before any consideration is made for Tennessee giving such approval.

- 3) The Committee would like to streamline the reciprocal process for substantial equivalent states. The Committee will do a quick poll and investigate how we can streamline our process to come into compliance with TCA 62-1-117.
- 4) Our new CPA renewal form has been mailed. It still needs a few minor changes, some of which were made before the 2<sup>nd</sup> notices were mailed.
- 5) Charles Frasier made a motion to approve the issuance of 73 new CPA certificates and 23 reciprocal CPA certificates whose experience and other qualifications have been approved by the Board's staff. Mike Vaughn seconded the motion; it was voted on and approved.
- 6) Doug Warren has reviewed the November CPA exam grades. He made a motion to accept the grades, communicate such to NASBA and investigate the Memphis site that had 2 candidates with high scores and identical answers. Dan Johnson seconded the motion; it was voted on and approved.

Linda Biek presented the **Executive Director's Report**: (see attached report)

- 1) The next Board Meeting is scheduled for Friday March 26, 2004. There is a conflict with the August 27, 2004 date in getting the Board room. The room is available on Monday, August 23, 2004.
- 2) The November CPA exam grades are in and are okay.
- 3) CPA and Firm renewals had some problems that will require adjusting for next year.
- 4) Prometric sites, visiting-Doug Warren will visit the Knoxville site, David Curbo will visit the Memphis site, Dan Johnson will visit the Chattanooga site, Mike Vaughn will visit the Franklin site, Charles Frasier will visit the Madison site, and Linda Biek will visit the Clarksville site.
- 5) The new rules went into effect December 30<sup>th</sup>. Board members should have received a copy from Leona via e-mail.
- 6) Linda led a discussion on mail returned to the Board office by the Postal Service. Linda stated that we presently have 3 options: a) stay with our present method, b) use "address service requested" which forwards the mail and sends us a postcard with the new address, this service costs 70 cents each time it is used, or c) pay the single piece mail rate and all mail will be forwarded. Mark King motioned that we use the "address service requested" and make the address changes in our system when we receive the postcard. Mike Vaughn seconded the motion; it was voted on and approved.
- 7) Byron Mauck, an 80-year old individual, requested a special status of CPE exempt be established for individuals over 80. The Board requested a response be mailed to Mr. Mauck stating that such a request would require a law change. He should contact his legislator since the Board cannot request a law change.
- 8) A search has begun to fill the vacant Investigator position.
- 9) We will receive a new staff person on February 1, 2004. We are getting one of our positions back that we gave away.
- 10) Space is limited in the Board office. We need to dispose of some records. Board Members requested that we keep all CPA exam files on candidates that have passed the exam and destroy all others that are over 7 years old. Also, archive all deceased files.
- 11) NASBA is accepting recommendations for Vice-Chair for 2004-05. Doug Warren suggested we recommend Will Pugh if he will accept or Will's recommendation if he doesn't accept.
- 12) NASBA has asked Tennessee to be a Pilot State for the National Candidate database. Linda wants to accept and she will contact NASBA.
- 13) Does a CPA/Attorney who prepares tax returns need to have an Active certificate if he is not using his CPA credential? Some discussion took place. Connaught reported that in TCA 62-1-113(a) under Prohibited Activities, he can, "as a tax attorney" do taxes, but not use his CPA credential. Linda interprets TCA 62-1-107 that if you are a CPA then you must follow our law. This restriction does not affect anyone who is not a CPA. Mike Vaughn made a motion to mail a letter to this individual citing TCA 62-1-107(d) and inform him that he must reactivate his CPA certificate or surrender it. Dan Johnson seconded the motion; it was voted on and approved.
- 14) As a result of the rule changes that went into effect December 31, 2003, we would like the Board to approve a letter to be sent to all CPA's notifying them of the changes.
- 15) Linda provided the following proposed plan for processing CPA exam applications in the event the CPA exam contract with the State is delayed. Under this plan, TSBA staff approves and

processes applications for the CPA exam. This will take priority over regular Board work. Any applications received would be reviewed by our new staff member to see that all necessary information is received. Brenda would then review the information and transcripts and enter the information into the computer system. Linda would do the final review and approve before notice is sent stating that the candidate is approved to sit for the CPA exam. Discussion then followed regarding how money would be accepted and handled. Also discussed was the vendor link for the three-way contract (NASBA, AICPA & Prometric). Further discussion included the difference between a sole source contract and a vendor contract.

- 16) A complaint has been filed against NASBA and the Tennessee State Board of Accountancy. A discussion took place and the Board believes we have responded in the appropriate way to this individual's initial correspondence. This information will be passed on to Robert Gowan.

Connaught O'Connor presented the **Attorney's Report / Probable Cause Committee Report:** (See Copy Attached) New Case #8 – Reviewer, David Curbo, recommended to dismiss informing the Board that in his opinion we have no substance for this complaint. New Case #10 – Reviewer, David Curbo, recommended to further investigate to gather information and to proceed with a Formal Hearing. Mike Vaughn motioned to approve the report and the reviewer's recommendations. Kenneth Cozart seconded the motion; it was voted on and approved.

Mike Vaughn informed the Board that we have 115 cases in process at this time. Several of these are being closed which will reduce this number. Factual information will be gathered to try to get more of Connaught's time allotted to our Board. We now have 40% of her time, but she works day and night to try to get our work completed.

Mark King presented the **Peer Review Committee Report:**

- 1) Mr. King reported to the Board that the Peer Review Committee met with the Review Committee on Thursday, January 15, 2004 and this morning.
- 2) There are 403 reviews due for 2003. To date, 366 have responded and the remaining 37 that have not responded will be turned over to the probable cause committee.
- 3) Mark advised that 34 new firms have been approved since the last Board Meeting.
- 4) The Committee is recommending that Firms receiving 2 consecutive adverse reviews be required to complete an accelerated review the next year. This recommendation will be discussed with Art Sparks to ask the TSCPA to do the same. A 3<sup>rd</sup> adverse review will result in the firm facing some disciplinary process.
- 5) The Alternative Competitive Process (ACP) for selection of the Review Committee members (see attached) was explained by David Curbo. Mike Vaughn motioned to accept the ACP as written by David Curbo. Mark King seconded the motion; it was voted on and approved. The Board expressed their gratitude to David Curbo for taking on the task of writing the ACP.
- 6) The committee is presently working on a couple of future rule changes.

**New Business:**

The Board briefly discussed AICPA Ethics Interpretation 101-3 (see attached). This can be interpreted that one cannot perform non-attest services for any attest client. On the other hand, it can be interpreted that one cannot perform non-attest services for an attest client if it would be material to the financial statement. The Board agreed that we should put a Practice Alert on our website to include the amended rules and AICPA Ethics Interpretation 101-3.

There was a brief discussion of our new rules and Linda Biek will check into ordering new law & rule books to be distributed.

There being no further business to come before the Board the meeting was adjourned.

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CHAIRMAN

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SECRETARY